National Energy Board | Office national de l'énergie

Quarterly Financial Report
For the quarter ended September 30, 2016

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the *Main Estimates* and *Supplementary Estimates*;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

The Board's strategic priorities are: Leading Regulatory Excellence, Taking Action on Safety and Engaging with Canadians.

The NEB receives its funding through annual Parliamentary authorities. The majority of expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Basis of presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2016-17 fiscal years. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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Highlights of Fiscal Quarter and Fiscal Year to Date Results

Planned expenditures analysis

As reflected in the *Statement of Authorities*, the department's planned expenditures in the fiscal year as at March 31, 2017 is $92.70 million, as compared to $79.8 million as at March 31, 2016. The increase of $12.9 million is primarily due to the net impact of an increase of $17 million for Energy Transportation Infrastructure (Budget 2015) and a decrease of $5.5million for Regulatory reviews of Mega energy projects (Budget 2014).

Please note that both the previous two fiscal years have included operational budget carry forward of $3.3 million and $3.0 million in 2016-17 and 2015-16, respectively.

Actual Expenditures analysis

As reflected in the *Departmental Budgetary Expenditures by Standard Object*, the total budgetary authority used in the year to September 30, 2016 is $38.1 million, as compared to $36.2 million for the same period last year. The increase of $1.9 million in actual expenditures is primarily due to the following:

- Personnel expenditures to date increased by $0.87 million as compared to the same period last year primarily due to an increase of statutory spending of $0.33 M as a result of funding received for Energy Transportation Infrastructure, $0.20 million for new hiring as well as a $0.35 million of salaries month end accrual.

- Information to date increased by $0.13 million as compared to the same period last year primarily due to an increase of usage of audio services.

- Professional and special services to date increased by $1.31 million as compared to the same period last year. This is mainly associated to an increase of IT services of $0.56 million for Government of Canada Initiatives, such as PeopleSoft, consulting services of $0.20 million for change management, $0.10 million for modifications for Provincial Modeling (Energy Future Report), $0.10 million for executive search services and assessment of candidates as well as translation costs of $0.11 million mainly related to Trans Mountain Pipeline Expansion Project (TMX) and Financial Regulatory Audit Reports.

- Rentals to date decreased by $0.36 million as compared to the same period last year primarily related to a decrease of $0.09 million for Human Resource Information Systems (HRIS) and the Vancouver office lease and a decrease of hotel room of $0.26 million in 2015-16 related to the TMX hearing process.

- Acquisition of machinery and equipment to date increased by $0.10 million as compared to the same period last year primarily due to purchasing related to IT equipment such as workstations and monitors for operational needs.

- Transfer payments to date decreased by $0.15 million as compared to the same period last year related to fewer Participant Funding Program payments in 2016-17.

Risks and Uncertainties

Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditure and resource pressures. The NEB's responsibilities are not only shaped by emerging energy trends, but also by the proactive consideration of safety, environmental, societal and economic trends that may influence the NEB's ability to carry out its responsibilities in the Canadian public interest.

Significant Changes in Relation to Operations, Personnel and Programs

The National Energy Board is developing a new results framework and is aligning resources and structure of the organization to priorities and results.

Approval by Senior Officials

Approved by,

C. Peter Watson, P. Eng. FCAE

Chair and CEO

Paula Futoransky

Chief Financial Officer

(Calgary, Canada)
(20 November 2016)

STATEMENT OF AUTHORITIES (unaudited)

(in thousands of dollars)	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Planned expenditures for the year ending March 31, 2017*	Expended during the quarter ended September 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016*	Expended during the quarter ended September 30, 2015	Year to date used at quarter-end
Vote 1 - Net Operating Expenditures	83,860	17,154	33,724	71,610	16,362	32,090
Contributions to employee benefit plans	8,844	2,211	4,422	8,184	2,046	4,092
Total Budgetary authorities	**92,704**	**19,365**	**38,146**	**79,794**	**18,408**	**36,182**
Non-budgetary authorities						
Total authorities	**92,704**	**19,365**	**38,146**	**79,794**	**18,408**	**36,182**

More information is available in the attached table.

** Includes only Authorities available for use and granted by Parliament at quarter-end.*

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended September 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended September 30, 2015	Year to date used at quarter-end
Expenditures:						
Personnel	60,265	15,630	31,468	56,901	15,394	30,596
Transportation and communications	5,228	686	1,382	3,617	826	1,335
Information	498	133	221	689	84	94
Professional and special services	18,963	2,024	3,540	12,963	1,227	2,226
Rentals	1,494	177	232	689	225	593
Repair and maintenance	996	224	554	689	120	509
Utilities, materials and supplies	498	75	124	344	86	171
Acquisition of land, buildings and works	-	-	28	-	-	6
Acquisition of machinery and equipment	498	124	167	1,206	44	71
Transfer payments	4,264	294	424	3,214	400	570
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	(2)	6	-	2	11
Total gross budgetary expenditures	**92,704**	**19,365**	**38,146**	**80,312**	**18,408**	**36,182**
Less						
Total Revenues netted against expenditures	-	-	-	**518**	-	-
Total net budgetary expenditures	**92,704**	**19,365**	**38,146**	**79,794**	**18,408**	**36,182**